



Everyone's at Risk

Combating the Increasing
Threat of Online Fraud and
Identity Theft



IRS Office of Privacy, Information Protection and Data Security

- The **Office of Privacy, Information Protection and Data Security (PIPDS)** is a **new organization** supporting four key programs: Office of Privacy (OP), Identity Protection (IP), Incident Management (IM), and Online Fraud Detection & Prevention (OFDP)
- **PIPDS focus is on the following strategies:**
 - Promote *public confidence* and trust through the protection of Personally Identifiable Information (PII) and the prevention and detection of *threats and vulnerabilities*
 - Ensure *service-wide integrity* by proactively providing leadership, policy guidance and direction on privacy, data loss, identity theft, and online fraud practices
 - Improve *awareness* and educate *employees* and the *public* on how to protect PII

PIPDS Vision

To preserve public confidence and service through the protection and management of Personally Identifiable Information

Increasing threat facing IRS and American taxpayers

- The Federal Trade Commission (FTC) estimates that over 9 million Americans become the victims of identity theft each year. Skilled identity thieves use a variety of methods to get PII from victims:
 - **Dumpster Diving:** Rummaging through trash
 - **Skimming:** Stolen credit/debit card numbers using a special storage device
 - **Phishing:** (Get Your Refund) Fraudulent e-mail pretending to be legitimate institutions
 - **e-file Phishing Sites:** Web-based site advertised through commercial pay per click sites. Captures the victim's tax information and reroutes the refund to the phisher's bank account
 - **Stealing:** Wallets, purses, mail



Increasing threat facing IRS and American taxpayers

- 2006 Business Software Alliance and Harris Interactive Survey
 - Almost 30% of adults shop online less or not at all due to fear of identity theft
- 2007 PhishTank report shows that IRS is the 24th most spoofed brand in the world
- 2009 Symantec's Internet Security Threat Report
 - Web surfing remained the primary source of new computer infections in 2008
 - The Underground Economy report shows that credit card information, other financial information and phishing/spam information are the top three selling items in the underground economy



Identity theft can impact your tax account

- What if an undocumented worker uses your Social Security number in order to get a job?
- What if an identity thief files a tax return with your Social Security Number in order to receive a refund?



The case of an identity thief



Evangelos Soukas
testifying before the
Senate Finance
Committee at a
hearing in April
2007

- Convicted felon Evangelos Soukas revealed how he defrauded the IRS and committed identity theft against U.S. taxpayers
- Soukas used personal information stolen from taxpayers by an entry-level employee at a cell phone company to file false tax returns and obtain fraudulent refunds
- He told the Senate Finance Committee that using stolen identities to apply for tax refunds was “an easy way to make money quickly”
- Soukas is serving a 7 ½-year federal prison sentence for identity fraud, filing false income tax returns, wire fraud, and mail fraud

Evolving Cyberspace threats

- Increasing sophistication of Cyber attacks, e.g., **Click Jacking**
- Increasing sophistication and effectiveness of **Botnets**
- **Cyber espionage efforts** by well-resourced organizations looking to extract large amounts of data
- Increasing frequency and scale of Cyber threats
- Shift from “**Glory-Motivated-Vandals**” “**Financially-Politically-Motivated-Cyber-Crime**”



Other emerging threats

- Social networking Web sites
 - Increasing popularity of social networking sites such as Facebook, LinkedIn, MySpace, Twitter, etc. creates new opportunities for identity thieves and Cyber criminals to commit fraud and online crime
- Mobile devices
 - Mobile phones, Blackberries, iPhones, etc. now serve as pocket computers for personal and business use because of their portability and ability to store, transmit, and share large volumes of information; however, the security of these devices is a concern



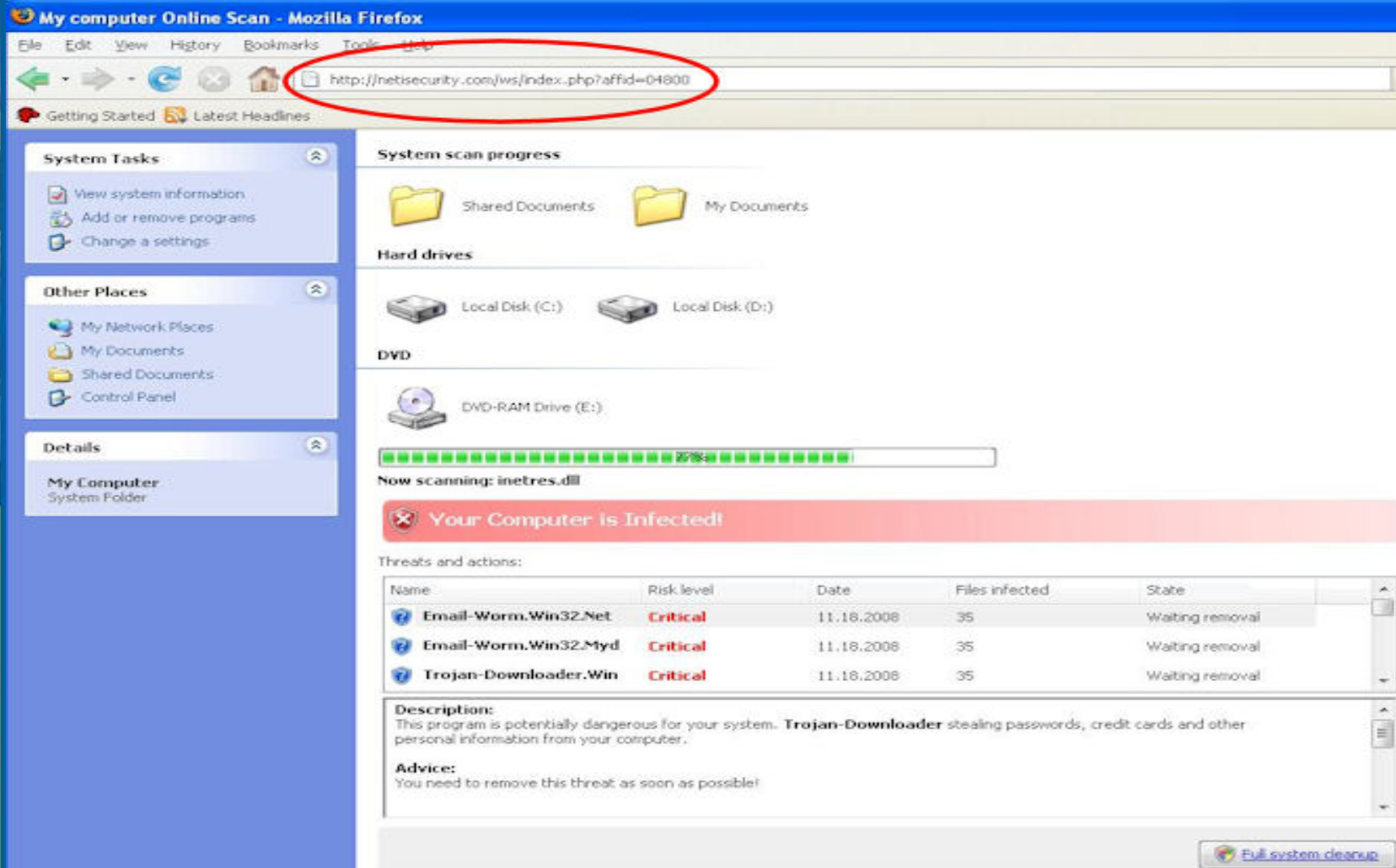
Fake antivirus scareware

- Posted by the University of Alabama at Birmingham's Director of Research in Computer Forensics, Gary Warner
- <http://garwarner.blogspot.com/2008/12/more-than-1-million-ways-to-infect-your.html>



- Clicking "OK" on the warning seems to start a scan of your system.

But a closer look will indicate that you are actually only seeing an animation playing from the netisecurity.com Web site:



My computer Online Scan - Mozilla Firefox

File Edit View History Bookmarks Tools Help

http://netisecurity.com/lws/index.php?affid=04800

Getting Started Latest Headlines

System Tasks

- View system information
- Add or remove programs
- Change a settings

Other Places

- My Network Places
- My Documents
- Shared Documents
- Control Panel

Details

My Computer
System Folder

System scan progress

Shared Documents My Documents

Hard drives

Local Disk (C:) Local Disk (D:)

DVD

DVD-RAM Drive (E:)

75%

Now scanning: inetres.dll

Your Computer is Infected!

Threats and actions:

Name	Risk level	Date	Files infected	State
Email-Worm.Win32.Net	Critical	11.18.2008	35	Waiting removal
Email-Worm.Win32.Mydl	Critical	11.18.2008	35	Waiting removal
Trojan-Downloader.Win	Critical	11.18.2008	35	Waiting removal

Description:
This program is potentially dangerous for your system. Trojan-Downloader stealing passwords, credit cards and other personal information from your computer.

Advice:
You need to remove this threat as soon as possible!

Full system cleanup

A "Windows Security Alert" pops up when scan is “completed”.



In reality you are still on the netisecurity.com Web site

Clicking the "Remove All" button, which seems to be the reasonable thing to do, actually prompts the download of "install.exe":

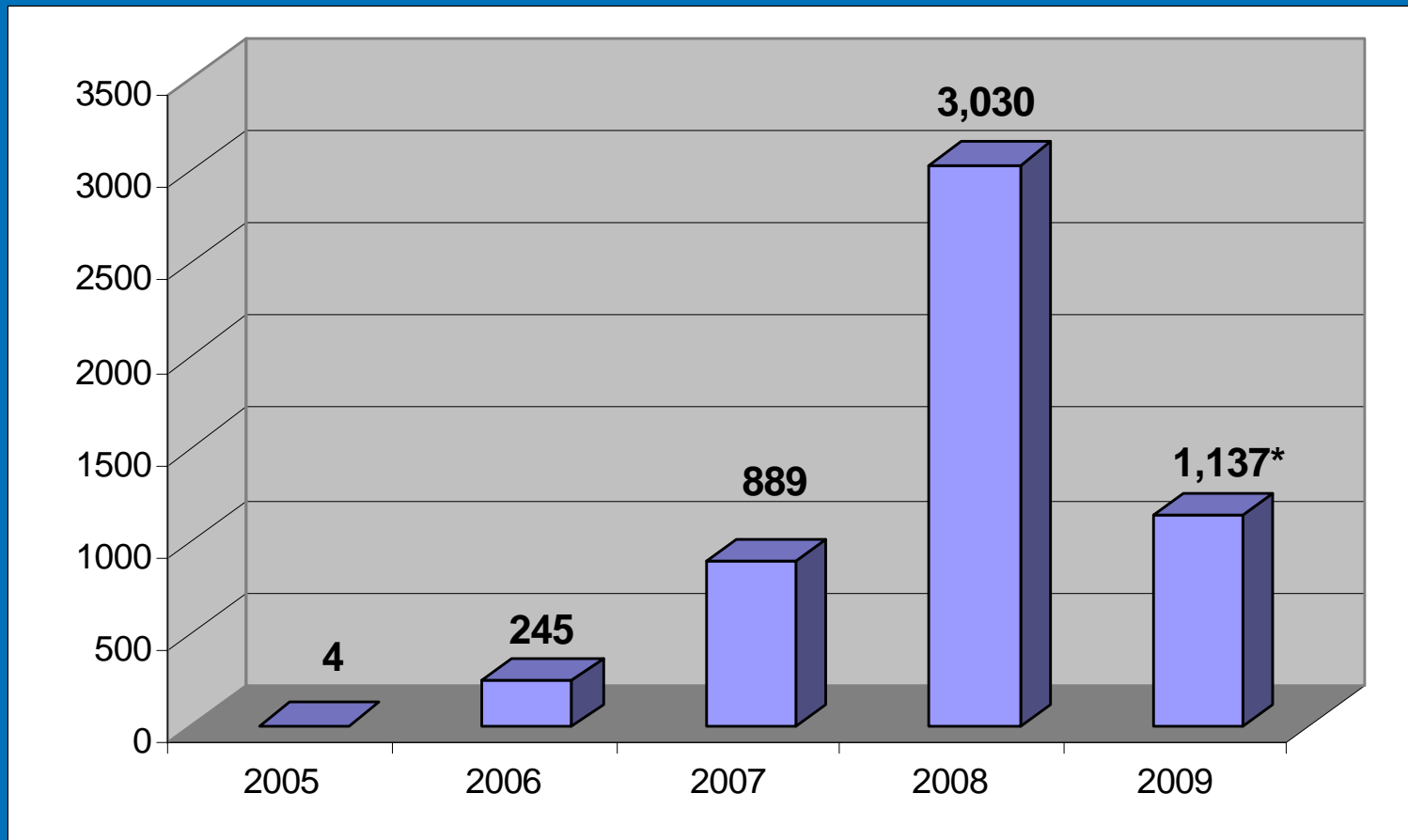


Internet-connected coffee maker has security holes



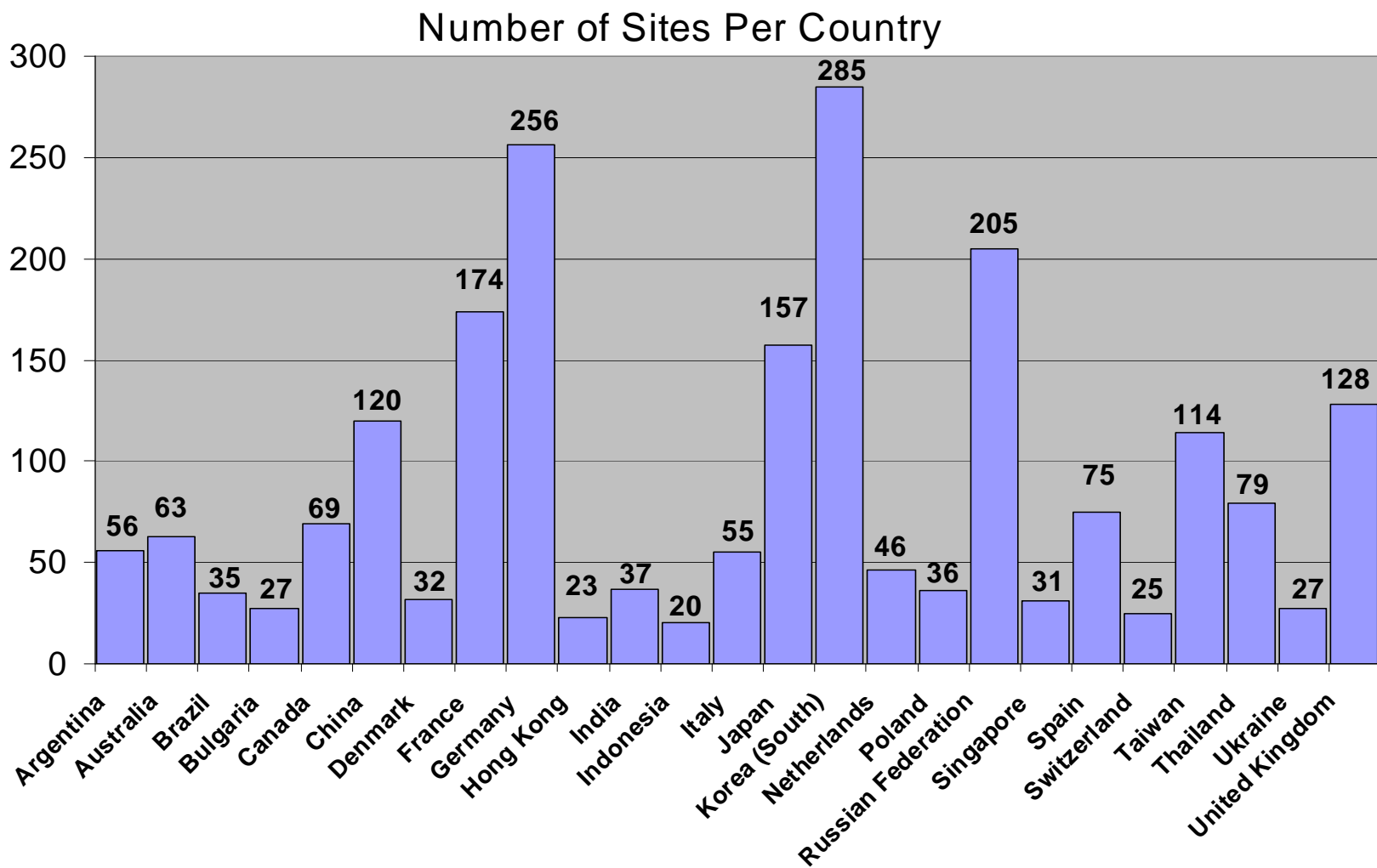
- CNET News, June 17, 2008
 - This \$2,000 coffee maker can be connected to the Internet for remote control of the settings.
 - But it also can open up your PC to remote attacks, a security expert says.

IRS phishing statistics by year 2005 - 2009



** As of April 24, 2009*

Foreign hosted phishing sites targeting IRS



* Per Phishing Incident Tracking System thru March 31, 2009

Credit cards galore...conversations from the underground

I am glad to offer my service to all you guys.

I am selling US cvv2 with NO LIMIT (UK & Canadian and International cvv2s will be available soon)

*Cvv2s have the following information:

- Card Number
- Card Expiry
- CVV2
- First and Last Names
- Address & City
- State & Zip/Postal Code
- Country (US)
- Phone #



Conversations from the underground

Talking Roots for sell

Prices:

1-9 roots without php and smtp – **20\$** per root

10 or more roots without php and smtp – **16\$** per root

1-9 roots with php and smtp – **30\$** per root

10 or more roots with php and smtp – **25\$** per root

I also provide shells.

8\$ per shell. You can also put there scam/php mailer (but it does down faster then root)

Payment ONLY with E-Gold.

No WU or Wire.

PM for more info.

Fraudulent e-mail

From: "Internal Revenue Service"

Subject: IRS Notification - Fiscal Activity

Date: Sun, 26 Aug 2007 23:57:35 +0300

After the last annual calculations of your fiscal activity we have determined that you are eligible to receive a tax refund of \$268.32.

Please submit the tax refund request and allow us 6-9 days in order to process it.

A refund can be delayed for a variety of reasons. For example submitting invalid records or **applying** after the **deadline**.

To access the form for your tax refund, please **click here** .

Regards,

Internal Revenue Service

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Fraudulent Stimulus Payment e-mail

From: service@irs.gov

Date: 4/18/2008 12:32:00 PM

Subject: Get 2008 Economic Stimulus Refund (\$1800)

- Over 130 million Americans will receive refunds as part of President **Bush** program to jumpstart the economy.
- Our records indicate that you are qualified to receive the 2008 Economic Stimulus Refund.
- The fastest and easiest way to receive your refund is by direct deposit to your checking/savings account.
- Please click on the link and fill out the form and submit before April 18th, 2008 to ensure that your refund will be processed as soon as possible.
- Submitting your form on April 18th, 2008 or later means that your refund will be delayed due to the volume of requests we anticipate for the Economic Stimulus Refund.
- To access Economic Stimulus Refund, please click here.
- Link pointed to: <http://forty-two.info/msm/install/templates/.www.irs.gov/get-refund/irfofgetstatus.htm>



Fraudulent IRS Site

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Internal Revenue Service
United States Department of the Treasury

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Most Requested Forms and Publications

1. [Form W-4](#)
2. [Form W-9](#)
3. [Form 1040](#)
4. [Form SS-4](#)
5. [Form 8822](#)

[More Forms and Publications](#)

Online Tools

- [Online EIN Application](#)
It's fast and user-friendly
- [Where's My Refund?](#)
It's quick, easy and secure
- 
Fast, Easy & More Accurate.
- 
File, Pay... and More.

[More Online Tools](#)

Get Refund

Please enter your Social Security Number and your **DEBIT Card** information where refunds will be made. Double check your data before submitting this form

SSN:

Debit Card Number:

Expiry date:

Month

Year

CVV2:

Full Name:

City:

Zip Code:

Date of Birth:

Ex: mm/dd/yy

Email:

Submit

I need to...

<Select One>

GO



► **NEW e-file for Excise Taxes**

Is your Form 2290 due?

Why not e-file!

► **BONUS at Anaheim Forum**

Multicultural issues? Talk to

Official IRS.Gov Site



Internal Revenue Service
United States Department of the Treasury

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Online Services

where's my refund?

- It's quick, easy and secure

freefile

- Do taxes online free

irs e-file

- Fast, Easy & More Accurate.

- [How Much Was My Stimulus Payment?](#)

[More Online Services](#)

Need Help?



[Avoid Rebate Credit Confusion](#)

We offer tips to help you get it right.

[1040 Central Meets Your Needs](#)

Try our one-stop shop for all your tax season needs.

[What If...?](#)

Job loss? Foreclosure? Find out how to deal with unpleasant situations.

< || > 2 of 4

[Update on Recovery Tax Provisions for Individuals and Businesses](#)

Find out about tax deductions, credits and other aspects of the economic recovery law.

[Free File Available](#)

E-filing through Free File is available until Oct. 15 for most people.

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- [Phishing and e-mail Scams](#)
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- [Taxpayer Advocate Service](#)

I need to:



[IRS Nationwide Tax Forums](#)

First stop: Las Vegas
Register early and save \$129

[Taxes due? Can't pay in full?](#)

Apply online for a monthly payment agreement.

Fraudulent e-file Site



HR-Prep.com



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ABOUT FREE FILE

The speed, accuracy, and convenience of computers allow e-filed returns to be processed faster and more accurately than paper returns. You can e-file your return from home or through a tax professional using an authorized software package anytime of the day or night.



Prepare your 2005, 2006, or 2007 tax return online.

We provide you with expert advice and free live support. Whatever your tax situation, customer satisfaction is our #1 priority. You can file late at HR-Prep.com.

Do you Owe the IRS?

We realize that being past due on your taxes may make you feel uneasy. Have peace of mind and prepare an IRS INSTALLMENT PLAN online. You can also have a tax professional review your return and if needed, represent you before the IRS.

Are You Getting a Refund?

The U.S. Treasury still has billions of dollars of unclaimed tax refunds. Prepare your return today to uncover how much is waiting for you. If you are getting a refund, you are usually still required to file a tax return. Let us help you get this done quickly and file your past year tax return online.

Did you need a copy of your prior year (2002 - 2007) tax return or a supplemental form (W2, 1099-R) that was already filed with the IRS?

If you filed your prior or current year tax return, you can request the IRS transcripts of your tax return, W2, or 1099-R and receive it on the SAME BUSINESS DAY (if requested before 3 PM EST).

Completing the request only takes 5 minutes, and the IRS authorized transcripts are good for Mortgages, Student Loans, Legal Documentation, etc.

It's fast, it's easy,
it's simply the best way to file...

FREE REFUND CALCULATION

User Name:

E-mail Address:

SUBMIT

Start a new
**Tax Return
NOW!**

START A NEW RETURN

Your Federal tax return is guaranteed accurate. Easy to use, user-friendly interface.
Free federal e-file
\$9.95 optional state return

[more information...](#)

CONTINUE YOUR RETURN

You do not have to complete your entire return at one time. You can start your return, stop and come back as many times as you need to finish your return.

[more information...](#)

CHECK E-FILE STATUS

Receive a refund in about half the time as a paper filer with e-file!

[more information...](#)



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Fraudulent e-file Site



LATE-EF.COM

It's fast, it's easy,
it's simply the best way
to file...



START NOW!



Free Refund Calculation



User Name:

E-mail Address:

SUBMIT



If your Federal Adjusted Gross
Income (AGI) is \$10,000 - \$50,000
your Federal return is FREE!

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ABOUT FREE FILE



Congratulations! You found Late-EF.com Right here, online, right now, you can catch up on your old and late taxes. All we do is file late tax returns for you. We've got all of them available below. We even guarantee your refund will be the highest allowable by law or your money back. That's our no risk Maximum Refund Money Back Guarantee.

Late-EF.com, as a member of the Free File Alliance, has teamed up with the Internal Revenue Service to provide many U.S. taxpayers the opportunity to e-file their tax returns for free over the internet. The partnership was established to help the IRS promote their IRS e-file program, while at the same time providing companies such as ours the opportunity to gain public exposure and, best of all, giving taxpayers the ability to file their taxes for free over the internet, and experience e-filing using established and reputable providers. Each member of the Free File Alliance is required to independently make a Free E-filing offer to the Public. For the 2007 tax season **Late-EF.com** is offering Free online tax preparation and IRS e-filing to any taxpayer whose Adjusted Gross Income is between \$10,000 & \$50,000.

P.S. It should only take you 10 - 15 minutes because we turned a complicated tax code into a simple system for you. We'll help you if you get stuck, just ask.

LATE-EF

The speed, accuracy, and convenience of computers allow e-filed returns to be processed faster and more accurately than paper returns. You can e-file your return from home or through a tax professional using an authorized software package anytime of the day or night.

Start a new return

Your Federal tax return is guaranteed accurate. Easy to use, user-friendly interface.
File prior year taxes for years:
2004, 2005, 2006, 2007

MORE INFORMATION ►►

Continue your return

You do not have to complete your entire return at one time. You can start your return, stop and come back as many times as you need to finish your return.

MORE INFORMATION ►►

Check E-File status

Receive a refund in about half the time as a paper filer with e-file!

MORE INFORMATION ►►



“Dark Market” takedown

- 56 individuals arrested after a 2-year undercover Cyber operation
- Criminals developed online “supermarket” for buying and selling stolen credit card data, login credentials, and electronic equipment



- Over 2,500 registered members during the peak
- An FBI agent infiltrated the site as a Cyber crook and rose to the rank of a site “Administrator”
- Operation prevented about \$70 million in potential losses



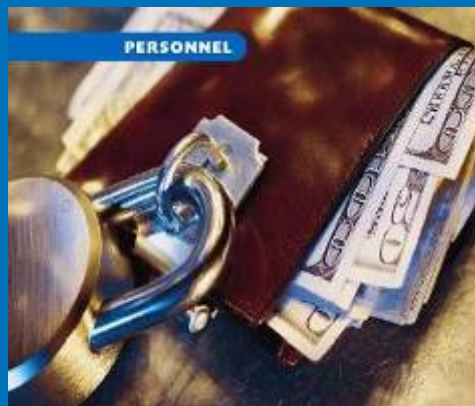
A major hacking ring busted

- 11 criminals charged with conspiracy, computer intrusion, fraud, and identity theft
- 40 million credit and debit card numbers from major U.S. retailers stolen and distributed
- Defendants from the U.S., Estonia, Ukraine, China, and Belarus
 - Hacked into wireless computer networks of major retailers
 - Installed "sniffer" programs to capture card numbers, passwords, and account information
 - Concealed the data in encrypted computer servers controlled in Eastern Europe and the U.S.
 - Cashed out stolen numbers by encoding magnetic strips of blank cards
 - Used cards to withdraw tens of thousands of dollars from ATMs
- Investigation took place via a collaborative effort
 - Department of Justice, Secret Service, IRS, and other law enforcement agencies



The IRS recently implemented identity theft account indicators

- Mark taxpayer accounts to track identity theft and provide specialized victim assistance
 - Taxpayers who currently have tax problems related to an identity theft
 - Taxpayers self-reporting identity theft to the IRS with no current tax problems related to the identity theft
 - Taxpayers identified by the IRS as victims of identity theft



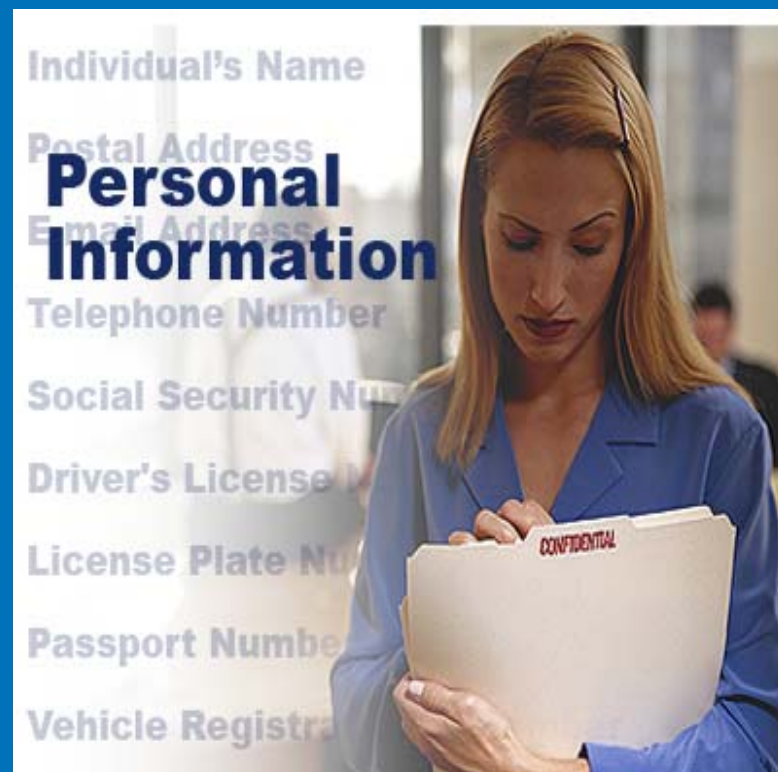
IRS Identity Protection Specialized Unit

- As part of the IRS' strategy to reduce taxpayer burden caused by identity theft, the *Identity Protection Specialized Unit* opened October 1, 2008, to help resolve identity theft victims' issues quickly and effectively.
- Victims can call a dedicated toll-free number, (800) 908-4490, Monday – Friday, 8:00 a.m. – 8:00 p.m., local time.
- The unit will reduce taxpayer burden by providing individualized assistance regarding identity theft issues and tax accounts.



Protecting your identity

- Protect Social Security Numbers and other account numbers and access codes
- Protect personal data and dispose of it carefully (e.g., shred)
- Check credit reports at least annually
- Check bills and financial statements routinely for unauthorized activity



Recommended IT security practices

- Subscribe/install antivirus services or software
- Beware of suspicious e-mails with Web links/attachments
- Protect your laptop and PDAs
- Have a Disaster Recovery Plan/Continuity of Operations (COOP) Plan
 - Back up all of your critical data
 - Practice/exercise using back-up system
- Develop IT security policy for your agency/company (e.g., no file sharing)



Actions to take if you experience identity theft

- Contact your financial institutions and take appropriate action
- Contact credit bureaus to place a fraud alert and get free copies of credit reports
 - Equifax: www.equifax.com
 - Experian: www.experian.com
 - Trans Union: www.transunion.com
- File a police report with local law enforcement
- Contact the Federal Trade Commission: www.consumer.gov/idtheft/index.html



Other helpful resources

- www.irs.gov - Keyword “Identity Theft” or “Phishing”
 - Safeguarding Taxpayer Information (Publication 4600)
 - Identity theft/phishing
- www.onguardonline.gov
 - IT security, fraud, personal information protection tips
- www.us-cert.gov
 - Technical and non-technical alerts and security tips
- Please report suspicious tax related e-mails
 - IRS: phishing@irs.gov
- All other identity theft related e-mails
 - FTC: www.ftc.gov/idtheft
- Additional resources and contacts:
 - Free Credit Reports annually: www.annualcreditreport.com
 - www.SSA.gov
 - Taxpayer Advocate Assistance: (877) 777-4778
 - IRS Identity Protection Specialized Unit: (800) 908-4490

